



INDUSTRIES, LABOUR AND CO-OPERATION
DEPARTMENT

REPORT OF THE COMMITTEE
FOR
LEATHER INDUSTRY
AND TRADE



नवराष्ट्र विधान

PRINTED BY THE SUPERINTENDENT
GOVERNMENT PRESS
MADRAS
1964

PRICE, Rs. 3-10-0}

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REPORT OF THE COMMITTEE FOR LEATHER INDUSTRY AND TRADE.

CHAPTER I.

INTRODUCTION.

As a result of the adverse conditions in the trade for E.I. tanned kips and skins commencing from April 1951, there was a depression in the South Indian Tanning Industry. The depression became more severe by the beginning of 1952 resulting in the closing down of a number of tanneries in South India. Consequently some people became unemployed. At a conference on 31st May 1952 under the Chairmanship of the Minister for Industries and Labour, Government of Madras, convened to discuss the reasons for the closure of the tanneries and the ways and means of rehabilitating the South Indian Tanning Industry, it was pointed out that many tanneries had since re-opened. It was suggested to the Government that a Committee be appointed to make a precise study of the causes of the depression in the trade and to find ways and means to avoid recurrence of such adverse conditions in it in future. The suggestion was accepted by the Government and a Committee was appointed under G.O. Ms. No: 2748; Development, dated 1st July 1952, with the following members :--

- (1) Sri B. M. Das, M.A. (Cal.), M.Sc. (Leeds), Director, Central Leather Research Institute, Adyar, Madras-20.
- (2) Sri P. S. Chowdary, Principal, Institute of Leather Technology, Washermanpet, Madras-21.
- (3) Janab N. Nazir Hussain, Messrs. Perambur Tannery, Perambur, Madras.
- (4) Janab M. J. Jamal Mohideen, No. 16, Thambu Chetty Street, Madras-1.
- (5) Sri S. V. Sundara Raman, Secretary, The South Indian Tanners' and Dealers' Association, Ranipet, North Arcot district.
- (6) Janab Ch. Fakir Mohamed, C/o Honorary Secretary, Southern India Skin and Hide Merchants' Association, No. 16, Sydenhams Road, Periamet, Madras-3.
- (7) Mr. W. A. Rutherford, Messrs. Gordon Woodroffe Leather Manufacturing Company, Limited, Pallavaram Post, Madras.

Sri B. M. Das was appointed the Chairman and Sri P. S. Chowdary the Secretary and Convener of the Committee.

Terms of Reference.

2. The terms of reference to the Committee are—

(i) A precise study of the causes of the present collapse of the market for skins and hides and the steps necessary to rehabilitate it.

(ii) Steps to be taken to ensure the re-opening of the tanneries in view of the improvement of the market for skins and hides.

(iii) Steps necessary to enlarge the market on the Continent and U.S.A. among them being :

(a) The appointment of leather experts, attached to the Embassies, one on the Continent and another in U.S.A.

(b) To receive assistance from consular officials to trade delegations.

(iv) Formulation of a scheme for the auction of skins and hides in Madras.

(v) How far the supply of skins and hides can be organized on the same basis as that of Tea and Coffee in order to put an end to speculative dealing in these articles.

(vi) Relaxations necessary in the restrictions under the State Aid to Industries Act to make available finance to the tanning industry.

BACKGROUND OF THE E.I. TANNING INDUSTRY OF MADRAS.

The South Indian Tanning Industry tans hides and skins by vegetable tanning processes which have been evolved by local tanners by practical experience over more than one hundred years. The products manufactured by this industry through their utility and excellence of quality have established a market for themselves almost throughout the world and most particularly in the United Kingdom. They have been instrumental in the growth and development of a very prosperous branch of leather industry in the United Kingdom during the last century, viz., the East India (more commonly called E.I.) tanned kips and skins dressing industry. Although the method of manufacturing E.I. tanned kips and skins was started indigenously by tanners in Madras, a substantial improvement in the technique of the manufacture was made about 1857 by a French Eurasian leather technologist named De Susa who had learnt trade in Mauritius. Previous to his participation in the Madras Tanning Industry, the hides and skins were tanned by a local tanning material, viz., bark of avaram (*Cassia ariculata*). Although this bark produced a pale coloured flexible leather, it had the great drawback that when exposed to sunlight, its tannin was oxidised by the air imparting an ugly reddish colour to the leather. On account of this, complaints were received from overseas countries to which the Madras leathers were then exported. De Susa remedied this defect by treating

the avaram tanned leather for a couple of days with a tan liquor prepared by extracting crushed myrabolams with water which came to be known as myrabolam bath in the Madras tanning practice. This bath produced a film of pyrogallol tannin derived from the myrabolams which did not oxidise and produce the dark colour on exposure to sunlight, and the atmosphere. The film of myrabolam pyrogallic tannin protected the colour of the avaram tannin underneath it and prevented the darkening of the leather and thus removed the cause of complaint of the overseas customers. Since this improvement in technique was effected, the export of Madras tanned leather has continued unabated in increasing quantities. The technique underwent further changes in the 1920s after the First World War. Before that period, the local avaram bark was exclusively used for tanning both hides, goat and sheep skins but during the war, when the Madras tanned kips (hides) were requisitioned for making army boots, the supply of avaram bark became inadequate and its price increased. As a result, to conserve the available avaram bark for the essential war need for tanning kips for making army boots, the use of avaram bark for tanning goat and sheep skins was banned by the Government of India for the duration of the war. In the meantime, attempts were made to find substitutes for this bark for tanning kips and mainly through the help of the Leather Trades Institute, Madras, such a substitute was found in the South African wattle bark which was eventually introduced into the Madras tanning industry for kip tannage. At the beginning, the overseas buyers of E.I. tanned kips did not look upon the wattle-tanned product with favour but gradually the Madras Tanners succeeded in overcoming preliminary difficulties and produced kips by tanning with the imported wattle bark of a quality which were accepted by the overseas buyers. Goat and sheep skins, however, continued and still continue to be tanned with avaram bark. More recently, a further development occurred in the technique of the Madras tannage by the introduction of acid salt pickling of the pelts before tannage and by the use of tanning extracts for tanning kips. Many tanneries are now using mimosa extract imported from East Africa and some are also using Quebracho extract imported from South America in the kip tannage. Progress has also been made in the use of machinery and of some scientific control of the processes.

East India tanned kips and skins produced and exported by the Madras tanning industry occupy a unique position in the world's leather market. Their position is unassailable because no substitutes for them are available from anywhere in the world to serve the same purpose. In spite of this position of vantage, it is unfortunate that the Madras tanning industry has not been able to make itself stable and secure. For almost one hundred years

account of which Madras tanners are not sure of their economic position ; sometimes high profits are made while on other occasions they incur heavy losses.

Considering the international status which the Madras Tanning Industry has achieved, it is very desirable that it should be put on a stable and steady basis so that it may progress uniformly. It is with this object that the Government of Madras has constituted this Committee.

PROCEDURE OF THE COMMITTEE.

The Committee held 31 meetings from the 12th July 1952 to 18th April 1953.

At the first meeting, a programme of work was made which was as follows :—

(1) That a questionnaire should be prepared for sending to the thirteen South Indian Tanners' Associations (representing practically all the tanners in South India), the Madras Chamber of Commerce, and P. C. Basu, Development Officer (Leather), Government of India to obtain their views on the terms of reference;

(2) that the replies to the questionnaire should be studied;

(3) that a few nominees of each Association should be invited to meet the Committee and give evidence in order to clarify such points in their written replies to the questionnaire as might need clarification and to present additional views, if any, on the terms of reference;

(4) that as much information as was possible should be obtained on the organization and procedure now followed in conducting auctions of East India tanned goat and sheep skins in London with a view to formulate a scheme for the establishment of an auction market at Madras.

The proposed questionnaire was prepared and finalised at the first meeting as noted below :—

QUESTIONNAIRE:

- 1 What, according to your Association, were the causes of the recent depression of the market for tanned skins and hides?
- 2 What steps do you think should be taken to stabilise the market?
- 3 Now that the market has comparatively improved, have all the tanneries of your Association started work again? If not, what are the reasons which are preventing them from doing so and what are your suggestions for enabling them to resume normal production?

- 4 What steps are necessary for enlarging the markets for E.I. tanned skins and kips in the continent of Europe and the U.S.A.? Will the following steps help?
- (a) The appointment of leather experts, attached to the embassies, one on the continent of Europe and another in the U.S.A.?
 - (b) Assistance from consular officials to trade delegations and members of the South Indian Tanning Industry.
- 5 Do you think that holding auctions in Madras for East India tanned skins and kips will be of benefit to the Industry? Give reasons for your opinion.
- 6 Will you please give an outline of a scheme for starting Auction Sales for East India tanned skins and kips at Madras?
- 7 Do you think regulation of production of tanned kips and skins will help to stabilize the industry? Please give reasons for your answer. Suggest methods how best it can be done if your answer is in the affirmative.
- 8 Is any relaxation necessary in the restrictions under the State Aid to Industries Act and in the rules of the Industrial Investment Corporation of Madras to make finance more easily available to the tanning industry from them?
- 9 Have you any other suggestions which may contribute to the betterment of the South Indian Tanning Industry and trade?

The questionnaire was issued by the Convener to the following Associations and persons :—

- 1 The Madras Chamber of Commerce.
- 2 The South Indian Tanners' and Dealers' Association, Ranipet, North Arcot district.
- 3 The Coimbatore Tanners' Association, Coimbatore.
- 4 The Tanners' Association, Pernambut, North Arcot district.
- 5 The Vaniyambadi Tanners' Association, Vaniyambadi.
- 6 The Ambur Tanners' Association, Ambur.
- 7 The Southern India Skins and Hides Merchants' Association, 16, Sydenhams Road, Periamet, Madras.
- 8 The Dindigul Skin Merchants' Association, Dindigul.
- 9 The Tiruchi Tanners' Association, Palakkai, Tiruchirappalli.
- 10 The Skin Merchants' Association, Salem.
- 11 The Tanners' Association, Eluru.
- 12 The Erode Tannery Merchants' Association, Peria Agraharam P.O. via Erode.
- 13 The Mysore Tanners' Association, Bangalore, and
- 14 Mr. P. C. Basu, Development Officer (Leather), Development Wing, Government of India.

At the second meeting held at the office of Messrs. Rallis (India), Limited, 320, Lingi Chetty Street, Madras, on 30th July 1952, the Committee collected information on the London auctions from Mr. Slater of Rallis (India), Limited, who had first hand information on the subject (Vide Annexure I). On the basis of the information furnished by Mr. Slater and that obtained from other sources, a note on London auctions was drafted. This draft was discussed and finalised at the third meeting of the Committee held on the 7th August 1952. The note on London auctions as finally approved by the Committee is given in Annexure II.

At the fourth meeting of the Committee held on the 6th September 1952, the replies to the questionnaire received from the various tanners' associations and from the Madras Chamber of Commerce were studied. In the four meetings held on 16th September 1952, 17th September 1952, 19th September 1952 and 3rd October 1952, the Committee examined two representatives of the Madras Chamber of Commerce and twelve representatives of eight tanners' associations. At the other meetings, the Committee discussed the various terms of reference and drafted the findings of the Committee and their recommendations. The replies from the Associations are summarized below.

CHAPTER II.

SUMMARY OF REPLIES FROM THE ASSOCIATIONS TO THE QUESTIONNAIRE.

Question No. 1.—What, according to your Association, were the causes of the recent depression of the market for tanned skins and hides?

(i) *The abnormal rise in the prices due to the lifting of the ceiling prices in United Kingdom and the stock-piling when the Korean War was started and sudden stoppage of purchase when Korean peace talks began.*—There was an abnormal rise in the price of East India tanned kips and skins since the lifting of their ceiling prices by the United Kingdom Board of Trade by the end of 1950 and this rise was stimulated by the start of the Korean War in 1951. The prices advanced rapidly from the beginning of 1951 up to the end of March 1951. Buyers both in the United Kingdom and in the United States of America started stock-piling at the commencement of the Korean War and paid abnormally high prices for East India tanned kips and skins. The degree of this increase is illustrated by the example that the price of "Primes" 5 and $5\frac{1}{2}$ lb. kips rose from 60 d. to 115 d. per lb. In the opinion of the South India Skin and Hide Merchants' Association, Madras, this high level was dangerous. The tanners in Madras made large profits and in

consequence started larger production. Raw hides and skins were purchased from all over India and Pakistan paying high prices which were charged in consequence of the increased demand. But, after the Korean Peace talks started, the United States of America buyers withdrew from the Madras market and the United Kingdom buyers also drastically reduced their purchases, and as a result, prices started tumbling down. The price of a 5 and $5\frac{1}{2}$ lb. kips which went up to 115 d. per lb. fell to 45 d. per lb.

(ii) *The monetary policy followed by the Conservative Government in the United Kingdom.*—When the Conservative Government came into power in the United Kingdom they, following a policy of conserving the Pound Sterling, curtailed import. Sterling allocations for the import of the East India tanned kips and skin to the United Kingdom were drastically reduced. The banks in the United Kingdom restricted credit facilities to importers of East India kips and skins, and in some cases even the existing facilities were withdrawn. There was a great deal of hesitancy in opening Letters of Credit in favour of exporters from Madras in consequence of which the offers of Madras tanners and shippers were not entertained by the usual United Kingdom importers of Madras leathers.

(iii) *Panicky sales.*—The Madras tanners who had purchased hides and skins at high prices and who, due to the policy of increasing their production, filled their tanneries with large quantities of hides and skins, became nervous and panicky when prices in the United Kingdom came down. They were anxious to sell their goods to escape further reduction in prices.

(iv) *Decrease of C.I.F. Business in Skins.*—Business in tanned skins was hit harder than that of East India tanned kips. During Second World War and immediately after it, a larger proportion of the business in tanned skins was done on C.I.F. basis and only a smaller proportion of skins consisting mostly of prime tannages used to go to London auctions. The prime tanners were thus usually sending their stocks to London auctions before the depression because their goods for their better quality were bought by United Kingdom dressers of speciality leathers who paid higher prices for their quality requirements. When the depression came, as there was less C.I.F. offers from the United Kingdom for tanned skins of ordinary or higher middle class qualities which used to be sold on C.I.F. basis, more and more of tanned skins were sent to London auctions where on account of larger quantities of skins offered for sale their prices continued to fall.

(v) *Decline in leather price in the United States of America as a result of the introduction of ceiling prices for raw hides there.*—Although the principal buyers of East India tanned kips and skins are British leather dressers, the dressed kips and skins are not sold entirely in the United Kingdom but large quantities are exported from there to the United States of America. The

United States of America introduced a ceiling price for raw hides and the prices of leather declined there in consequence. The United States of America therefore refused to purchase dressed East India tanned leather from the United Kingdom at the then existing high prices which compelled British buyers of East India tanned kips and skins to reduce their prices to Madras tanners.

Question No. 2.—What steps do you think should be taken to stabilize the market?

The general view of the different Associations on this point is that as the trade in Madras tanned kips and skins is an international one, it is bound to be affected by fluctuations in the international demand for these commodities. According to the Madras Chamber of Commerce, Government can do very little in stabilizing the market of these goods. It is for the local dealers and tanners to contract their supplies when demand falls. The opinion of most of the tanners' associations, however, is that stabilization can be helped and the industry protected from loss if the following steps be taken:—

(i) Financial assistance be made available to tanners and exporters in the form of loans against their fixed assets and stocks-in-trade through Government sponsored or aided organizations such as banks, industrial investment corporations and State Aid to Industries Act funds. Godowns be established where tanners and exporters may deposit their goods on which advances would be granted.

(ii) The tanners be advised every now and then about the market conditions prevailing in foreign countries to enable them to regulate their purchases of raw hides and skins accordingly. The Economic Adviser to the Government of India or the Economic Adviser to the Government of Madras be requested to advise the tanners about the international economic position and on the market conditions of hides and skins and tanned leather in various countries to guide them to operate.

(iii) A unified selling organization be established having godown facilities for stocking and sorting, and financial facilities as suggested under item (i).

(iv) In the absence of a unified selling organization, regulation of the supply of East India tanned skins and hides be made.

(v) New markets in addition to the existing ones be explored and East India tanned hides and skins be advertised in foreign countries.

(vi) Existing restrictions on the export of raw sheep skins and hides be continued. Export duty be levied on raw goat skins.

(vii) Leather experts be appointed at Government cost to advise the tanners to improve quality of their products.

(viii) Careful selecting of grades, conformity to range and generally speaking efforts be made to meet buyers' requirements.

(ix) Adulteration of tanned hides and skins be stopped.

(x) Markets and show rooms in India for East India tanned kips and skins be opened.

Question No. 3.--Now that the market has comparatively improved, have all the tanneries of your Association started work again? If not, what are the reasons which are preventing them from doing so and what are your suggestions for enabling them to resume normal production?

Most of the tanners, except a few seriously affected by the depression, have started their work again and are trying to regain their nomal production.

Following are the suggestions which will help tanners to resume and continue their normal work :—

(i) Financial assistance as already referred to under Question No. 2 (i).

(ii) Relief on income tax and sales tax.

(a) *Income tax.*—Certain relief in income tax for the time being will help the tanning industry and trade to a very large extent as the tanners and exporters have lost heavily during the recent depression. The depression commenced in July 1951, when most of the tanners had closed their accounts for the previous year with profits but those profits and a good portion of the capital were washed away during the depression. It is, therefore, suggested that the accounts of both the years 1950-51 and 1951-52 of the tanners and exporters be assessed together. If this is not done, some of the tanneries will have to be closed down and the proprietors will have to sell their properties for paying taxes. The income tax should be assessed on audited accounts and not on estimates of Income Tax Officers.

(b) *Sales tax.*—Ever since 1939 when the sales tax was first introduced, the tanning industry has been adversely affected by it. As it mainly caters to the export trade, it should be exempted from the provisions of the Sales Tax Act.

Question No. 4.—What steps are necessary for enlarging the markets for East India tanned skins and kips in the Continent of Europe and the United States of America?

Will the following steps help?

(a) The appointment of leather experts attached to the Embassies, one on the continent of Europe and another in the United States of America?

(b) Assistance from Consular officials to trade delegations and members of the South Indian Tanning Industry?

Most of the Associations have replied that the above suggestions were welcome. They have suggested as follows in this connection :—

(1) That the Embassies should investigate how to improve the demand for East India tanned hides and skins in the countries to which they are attached and particularly investigate the effect of the following on the import of East India tanned hides and skins into those countries :—

(i) Import duty imposed on East India tanned hides and skins.

(ii) Unfavourable classification of East India tanned skins and hides and restriction on their import.

(iii) Inadequate exchange facilities.

(2) That there is necessity for advertising and displaying East India tanned kips and skins in trade fairs which are held throughout the world.

(3) That it would be useful if a trade delegation of non-official members with great experience in the Madras leather industry be arranged by Government to visit all countries in the Continent of Europe, the U.S.A. and the Far East to popularize East India tanned hides and skins. Such a delegation should be for barter also. An attempt should be made by the Embassies to have information about the names of traders in leather and allied goods in those countries and the lines they handle and this information should be kept as up to date as possible and made available to visiting Trade Delegations by the Consular officials.

Question No. 5.—Do you think that holding auctions in Madras for East India tanned skins and kips will be of benefit to the Industry? Give reasons for your opinion.

The Madras Chamber of Commerce and the Erode Tannery Merchants' Association are of the opinion that auction in Madras will not be feasible and beneficial to the Madras Tanning Industry. The Madras Chamber of Commerce adduces the following reasons for its views :—

(i) The overseas agents would not depute agents to bid and purchase at Madras.

(ii) Personal inspection of goods which is generally practised by intending purchasers from London auctions will not be possible at Madras.

(iii) Large sums of money amounting approximately to fifty lakhs of rupees or more provided by London importers through their banks to give financial facility to Madras tanners as advances on consignments to send their goods to London auctions will not be available if auctions are held in Madras.

(iv) There are no warehouses in Madras capable of storing, sampling and displaying approximately 1,000 bales of skins which usually accumulate between auction periods.

The Erode Tannery Merchants' Association give the following reasons for their views :—

(i) London brokers and others who participate in London auctions have the means, facilities and knowledge of customers' requirements.

(ii) Established agencies render such efficient service that even the prospect of direct dealings with origins may not induce overseas buyers to change their practice of buying Madras tanned skins from London auctions.

(iii) Standards and marks as they exist are of London origin backed by London Houses well-known to customers. It must normally take long for confidence to be established in marks and dealers for any buying by trade marks.

(iv) Madras is too far off for buyers in Europe or the United Kingdom to come to Madras to purchase.

The other Associations consider that holding of auctions in Madras for tanned goat and sheep skins will be of benefit to the Industry for the following reasons :—

(i) If the auctions are held at Madras, the buyers and sellers can meet directly and fix the deals to their mutual advantage.

(ii) Madras tanners will know the exact quality of skins required by individual countries and will tan them according to the requirements of the purchasing countries and thereby will create a better demand for Madras tanned goods.

(iii) The goods will be in Madras till they are sold and the tanners will not be at the mercy of the buyers in a foreign country as they are at present in London.

(iv) The tanners will have a voice in the auction.

(v) The risk and period of risk of the tanners will be reduced.

(vi) Although the present advantage derived from London auction such as facility obtained by the small United Kingdom buyers to purchase their requirements in small lots will be lost if the auctions are held at Madras, in the long run, this advantage will be overcome.

Question No. 6.—Will you please give an outline of a scheme for starting Auction Sales for East India tanned skins and kips at Madras?

The Associations which support the setting up of auction sales at Madras give the following suggestions with regard to the organization of auction sales :—

(i) Auction in Madras should be conducted in the same manner as is done in the United Kingdom. Suitable persons of

integrity and experience should be appointed as brokers and financial facilities should be afforded to pay advances to tanners against goods offered by them to be auctioned.

(ii) Establishment of godowns for storing the goods of various marks and to display various selections and weights of each mark as are done in London wharves.

Question No. 7.—Do you think regulation of production of tanned kips and skins will help to stabilize the industry? Please give reasons for your answer. Suggest methods how best it can be done if your answer is in the affirmative.

There are two views with regard to the regulation of output of East India tanned kips and skins by the South Indian tanning industry.

The South India Tanners and Dealers Association, Ranipet; the Pernambut Tanners' Association; the Coimbatore Tanners' Association; the Vaniyambadi Tanners' Association; the Ambur Tanners' Association; and the South India Skin and Hide Merchants' Association, Madras, are all against any regulation of production and artificial reduction of tanned skins and hides. Their reasons are summarized below :—

(i) East India tanned hides and skins are one of the major export commodities of India earning foreign exchange. The products have earned a world-wide reputation in international markets. Curtailment of their production cannot be of benefit to India.

(ii) This industry is established in South India only on account of the efficiency and enterprise of the people engaged in this line in this part of India. If the production is controlled and curtailed, the industry will shift from South India to other States at the cost of the people of South India.

(iii) Now that the export of raw hides is totally banned and sheep skins partially banned, the South Indian tanning industry is bound to consume whatever quantity is available in the country for tanning. If it does not tan all the available hides and skins, they will be tanned by the tanning industries of other States, possibly by Chrome tanners and the Chinese tanneries of Calcutta, and these States will occupy a premier position at the cost of South India.

(iv) There is no similarity between hides and skins and tea and coffee. The latter are productions of plantations which can be curtailed according to convenience. Hides and skins are, however, either by-products of the meat industry or are derived from animals that die naturally. Their production cannot be artificially controlled. All hides and skins produced in the country must be tanned in the country and preferably exported in the tanned condition rather than as raw, for the economic benefit of India.

(v) The East India tanned kips and skins produced in Madras State being mainly commodities of export, they can get prices only according to international demand and supply. Their prices cannot be dictated by South Indian tanners to foreign buyers. It is unreasonable to think of higher prices always. As the importers abroad had been purchasing these products at a very high price previously, it is not reasonable to restrict production when the prices have fallen down and demand higher prices. In the interest of the Nation's economy, commodity prices should be kept down as far as possible.

(vi) When the production is controlled by fixing quotas for tanners, it will lead to malpractices and there will be production by illicit methods.

(vii) Regulation of production will be harmful to the Industry as in that case, the industry will be narrowed down and monopolised by a few big Companies at the expense of smaller producers whereas if the industry is kept free, it will improve and develop on a wider basis.

(viii) Regulation of production will cause unemployment.

(ix) The South Indian tanning industry has been meeting increasing demands of its products in the past by adjusting its production to demand. In order to make further advance, it has to remain free from any artificial regulation of production. The industry has always been guided by international factors. This time the fluctuation has been very rapid and violent on account of which not only the South Indian tanners were shaken but also the importers of South Indian tanned hides and skins all over the world were affected. Now things are becoming more stable and steady and the industry is adjusting itself at a much quicker pace than was expected a few months ago.

The other view in favour of regulation of production is represented by the following Associations :—

The Dindigul Skin Merchants' Association,
The Tiruchi Tanners' Association,
The Salem Skin Merchants' Association, and
The Taners' Association, Elluru.

These associations are of the opinion that regulation of production will help to stabilize the industry. They give the following reasons :—

(i) The quality and quantity of raw hides and skins in the country are greatly influenced by the seasons of the year which also influence their demand by the importing countries. Control and regulation of the production will enable the industry to synchronize production with the needs of the importing countries which are influenced by seasons and fashions.

(ii) Past experience has shown that generally during a period of depression, the South Indian tanning industry offered

more tanned skins and hides to the consuming countries due to the over-anxiety of tanners and exporters to cover their stocks in a declining market, which created an impression in the consuming countries that the production of these goods had enormously increased. This factor contributed to a large extent to the recent depression. If the production and supply of tanned skins and hides were properly regulated, no tanner or exporter would be able to offer for sale or export quantities more than what he would be permitted to supply by the regulations.

(iii) The importing countries also knowing that the production of tanned skins and hides were regulated, would be eager to get adequate supplies at fair prices to meet the requirements of their customers.

These associations have also given an outline of the organization needed for the regulation of production and export. This outline is briefly described below :—

(i) The regulation should be by a trade organization with due assistance from the Government.

(ii) A committee with proper and adequate representatives of the various Associations should be appointed to regulate production and supply.

(iii) This Committee should fix a quota for each tannery in South India of the number of raw skins or hides it could soak per day or per month on the basis of the particular tannery's turnover in the previous year and its capacity.

(iv) Such quotas should be issued in the name by which the tannery is licensed or in the name of the owner of the tannery.

(v) The Committee should also issue coupons to such tanneries giving the number of skins or hides they would be permitted to export during the year.

(vi) The Government should issue instructions to Port Authorities all over India to allow export of only such E.I. tanned skins and hides which are covered by such coupons.

(vii) The negotiating banks should also be instructed to insist on the production of such coupons by exporters while negotiating shipping documents for any tanned hides or skins exported from any Indian port.

(viii) Passage of raw goat skins from Southern India into other States should be prohibited till export of raw goat skin is restricted by an adequate export duty.

(ix) Existing restrictions on the export of raw and pickled hides, raw sheep skins and pickled goat and sheep skins should be maintained. Export of pickled goat skins and papra sheep skins had better be prohibited. If total prohibition is imposed on the export of raw and pickled hides and skins, it would help the industry to a very great extent.

Question No. 8.—Is any relaxation necessary in the restrictions to the State Aid to Industries Act and in the rules of the Industrial Investment Corporation of Madras to make finance more easily available to the tanning industry from them?

The associations consider that the rules of the State Aid to Industries Act and those of the Industrial Investment Corporation, Limited, of Madras should be so amended as to make finance available to tanners as and when required against their fixed assets and stocks in trade. The present restrictions which make it difficult to get finance from these sources should be lifted.

Question No. 9.—Have you any other suggestions which may contribute to the betterment of the South Indian Tanning Industry and trade?

(i) *Finance Corporation by tanners.*—The South India Tanners' and Dealers' Association, Ranipet, state that the tanners would be willing to start a Finance Corporation themselves to finance tanners having small capital and if the Government give financial help to this Corporation to such extent as may be required, it would be very helpful. The Tanners' Association, Ellore, states that the tanners should be encouraged to start a Finance Corporation with the help of the Government to aid the needy tanners.

(ii) *Transport.*—The South Indian Tanning Industry depends to a large extent on raw hides and skins purchased from North Indian markets. The tanners find it very difficult to get the purchased goods transported to Madras within a reasonable time. High priority should be given for the transport of raw hides and skins from Northern India to the principal tanning centres in South India. At present, raw hides and skins are transported in iron wagons which get heated in transit by the hot sun and the hides and skins are often seriously damaged by the heat, and contact with the iron causes stains and damages again causing loss to the tanners. Iron wagons should be replaced by wooden wagons. Some associations suggest that air conditioned wagons should be provided. Facilities for the transport of tanning materials should also be made more easily available.

(iii) *Demurrage.*—Under existing regulations, demurrage charges on raw hides and skins are collected at railway stations reckoning from the day after the arrival of the goods. Usually, there is some delay in getting intimation from the banks through which the tanners operate and the goods cannot usually be taken delivery of on the day after arrival. Sometimes demurrage charged exceeds the freight of the goods. At least one week's time as free days from the date of the arrival of the goods excluding Government holidays should be conceded and the Railway Board should be requested for this concession. Demurrage should also be collected at a grading scale instead of at a fixed rate.

(iv) *Refrigerated rooms.*—The South India Tanners' and Dealers' Association, Ranipet, states that cold storage rooms should

be constructed at important raw hide and skin centres for preserving all the raw hides and skins arriving there. For this storage, a nominal rent should be charged. In the same manner, refrigerated rooms may also be constructed at important tanning centres.

(v) *Supply of tanning materials.*—Wattle bark is largely used by the South Indian Tanning Industry. It is at present imported from East Africa. India should be made self-supporting in this bark by taking steps for large-scale plantations of wattle trees.

The Dindigul Skin Merchants' Association states that due to the failure of rains and cutting of trees, tanners are not able to get easily avaram and konnam barks. Hence, it would be of great help if the Government purchased wattle bark and extract and sold them to tanners instead of permitting individual merchants to trade in these materials.

(vi) *Quick tanning processes.*—The Coimbatore Tanners' Association suggests that tanning processes should be quickened and duration of time and labour involved should be minimised by research.

(vii) *Adulteration of tanned leather.*—The Madras Chamber of Commerce states that this is the most serious problem concerning the South Indian Tanning Industry. Adulteration is sometimes as high as 25 per cent on the total weight. This Chamber considers that legislation by Government is essential to prevent this abuse and that adequate administrative staff must be appointed to enforce this legislation. Only when this evil is eradicated can the industry look forward to increased business and prosperity.

(viii) *Flaying.*—Stress should be laid upon scientific flaying and licensed flayers should be appointed under the control of Health Authority to do the flaying. Good flaying will help the industry.

(ix) *Factories Act and Labour Regulations.*—The existing conditions of these enactments are impeding the smooth running of tanneries. The authorities concerned should be instructed to take into consideration the characteristic nature and essential needs of the tanning industry while administering these enactments to it. It is to be realized that the South Indian Tanning Industry is predominantly a cottage industry usually with no machinery installed in most of the tanneries. Therefore, the provisions of the Factories Act should not be made applicable to this industry, as many of the provisions do not apply to conventional South India tanneries. The East Indian Tanning Industry should be exempted from the Factories Act. High-handedness of the Factory Inspectors who prosecute tanners on petty deviations from the Factories Act should be checked. Interference of the so-called trade unions with tannery labour should be prohibited.

(x) *Prevention of illegal strikes by labour and demand for higher wages.*—These should be prevented.

(xi) *Amendment of minimum wages of tannery labour fixed by the Government.*—Minimum wages have been fixed for tannery workers assuming that all tanning centres are on the same footing. But, actually, there are differences in the quality and value of products, in the quantum of work done by the workers, and in the cost of living from place to place. Therefore, uniform wages for all centres and for all workers is not justified. The minimum wages for tannery labour should be amended ; in the alternative, tanneries should be permitted to increase work load.

(xii) *Employees' State Insurance Act should not be enforced on the tanning industry.*—As this industry is a cottage industry run without machinery, there is no likelihood of the workers getting injured in the course of their work. The Workmen's Compensation Act is already in force. Hence, there is no reason for applying the Employees' State Insurance Act to the tanning industry.

(xiii) *Fish oil.*—Fish oil is needed for the manufacture of Chamois leather and also in stuffing and fat-liquoring various kinds of leathers. It is not available now in Madras. Attempts should be made to make fish oil available to the industry. Introduction of deep-sea fishing and extraction of oil from the catches are ways to make fish oil available to the industry.

(xiv) *Tannery wool.*—Markets for tannery wool and hair should be found. No restriction should be placed on the transportation of tannery wool and hair at least within the country.

CHAPTER III. FINDING OF THE COMMITTEE.

These findings relate to and answer all the terms of reference made to the Committee by the Government. They are based on the written evidences of the Tanners' Associations of South India, oral evidences of their representatives and the long experience of some of the members of the Committee who have been closely connected with the South Indian Tanning Industry both with regard to its production and export trade for a large number of years and who own and run tanneries themselves and directly participate in its export trade. The experience and mature judgment of these trade members have been of great help to the Committee to arrive at and evaluate the correctness of the findings which are given below under each term of reference.

Term of reference (1).

A precise study of the causes of the present collapse of the market for skins and hides and the steps necessary to rehabilitate it.

In the opinion of the Committee, causes of the collapse of the tanned hide (kip) market in the earlier part of 1952 were as follows :—

(1) *After-effects of the lifting of control in the United Kingdom on East India tanned kips in December 1950.*—Though

the war ended in 1945, East Indian tanned kips continued to be bought and distributed through His Majesty's Government's leather control in the United Kingdom and ceiling prices were maintained at a lower level than world prices up to the middle of December 1950.

It was found then that due to the increased demand from and higher prices paid by the United States of America for East Indian tanned kips of light weights, the ceiling prices of them could no longer be maintained and they were withdrawn by the middle of December 1950. Just before their abolition, some non-tanner speculators had cornered and accumulated large stocks of tanned kips in the expectation of the lifting of the control. This cornering created an artificial shortage of tanned kips for the United Kingdom buyers. Consequently, when the control was finally lifted, prices of tanned kips began to soar from Rs. 2-5-0 per lb. in November 1950 to Rs. 3-10-0 in January 1951 and reached its peak of Rs. 4-14-0 in March 1951 for 5 and 5½ lb. kips. The sterling prices obtained from the United Kingdom during November 1950 were 53 to 55 d. and in March 1951, 110 d. per lb. The speculators took advantage of this rise in the market with their cornered stocks. Towards the end of March 1951, dressers in the United Kingdom hesitated to continue to pay the high prices because they had been experiencing difficulties in selling their products as consumers had been resisting high prices. As a consequence, prices of tanned kips started declining from the peak level reached during March 1951. The Madras tanners were perturbed and became anxious to sell quickly in the declining market their high priced stocks. Non-tanner shippers took advantage of the tanners' eagerness to sell and the price of tanned hides was forced down by the end of April 1951 to Rs. 3-9-0 in Madras and 88 d. in the United Kingdom for 5 and 5½ lb. kips. In May due to some resistance offered by the Madras tanners, the prices firmed up again and advanced to 95 d. by the end of that month. From June 1951 onwards, however, the prices began to decline gradually and reached Rs. 2-6-0 at Madras and 64 d. in the United Kingdom by November 1951. This decline resulted in a loss of about 8 to 12 annas per lb. of leather because the raw hides for this leather had been purchased approximately three to four months previously at higher raw hide prices ruling at that time. The tanners purchased the raw hides on the basis of the prices of tanned hides current at the time of the raw hide purchase. For instance, the tanned hides sold in November 1951 would have been purchased in August 1951 when the tanned hide price was ruling at 74 d. per lb. for 5 and 5½ lb. kips.

A sudden increase in one section of the leather industry during the commencement of the year 1951 had its effect on the other sections. Hence the prices of tanned skins also began to rise rapidly from the commencement of the year 1951. In April 1951, weakness was, however, felt in tanned skin prices and from June onwards they declined gradually till November 1951. After November

prices of both tanned hides and skins began to fall precipitously in rapid succession when the Conservative Government came into power in the United Kingdom.

(2) *Monetary policy pursued by the United Kingdom and Commonwealth Countries.*—Soon after the Conservative Government came into power in the United Kingdom credit facilities were curtailed for most of the imported goods which upset the Madras Leather Market. The United Kingdom being the main buyer of tanned skins and kips, the effect of this credit curtailment was disastrous to the Madras tanning industry.

(3) *Effect of the purchase of tanned sheep skins by Japan.*—Japan usually consumed about 25 per cent of the exports of tanned sheep skins, but it could not buy anything during the World War II. It restarted its trade in tanned sheep skins under a quota system during the first quarter of 1951, which contributed to some extent to the increase of prices of tanned sheep skins at that period. It withdrew from the market in the last part of 1951, which contributed to the depression in sheep skin prices in the beginning of 1953.

(4) *Lack of holding power of the Madras tanners and exporters.*—Towards the end of 1952, when the depression as referred to above was well under way, tanners and exporters at Madras found that there was very little response to the offers they had been making. Stocks had been accumulating and they felt financial strain and were anxious to liquidate stocks to meet obligations. They might perhaps have abstained from repeatedly offering stocks at lower prices, when no response had been forthcoming from the United Kingdom, if they had adequate financial resources to fall back upon.

(5) *Panicky condition created in the trade due to non-tanner speculators which caused an anxiety to sell and hesitancy to buy.*—As a result of the condition mentioned under item (4), tanners tried to liquidate their stocks but found it difficult to find buyers due to the rapidly declining market. Some speculators took advantage of the declining prices and offered forward business at prices lower than those ruling at the time in the expectation that prices would fall further and they would be able to purchase at lower prices to complete their orders. These operations accelerated the decline and created a feeling of lack of confidence in the minds of consumers who were continually being offered goods at lower prices than those ruling in the market at any particular time. An impression was created in the United Kingdom that there was an increase in the production of East Indian tanned goods due to exporters and speculators offering larger quantities.

(6) *Effects of Korean War.*—The Korean War had some indirect effect on the rise in the prices of East Indian tanned kips and it might have been responsible for the lifting of the ceiling price of tanned kips in the United Kingdom in December 1950. This price rise started from December 1950 and continued until March 1951. The price started declining from April 1951 in spite

of the fact that the Korean Truce Talks commenced only in July 1951. The Korean Truce Talks could not, therefore, have had a direct influence on the collapse of the East Indian tanned kips and skins market.

Steps necessary to rehabilitate the industry.—As regards the second part of the term of reference No. (1), viz., steps necessary to rehabilitate the industry, the Committee find that most of the tanneries commenced work from May 1952 and that they were trying their best to regain their normal production with all the available resources at their command. The tanning industry needs help to fully regain and maintain its normal production and the Committee find the grant of relief sought for by the Associations in the matter of income-tax and sales tax as suggested in answer to question No. 1 of the questionnaire to be necessary. The industry also needs financial assistance which may be given through the Madras Industrial Investment Corporation, Limited, State Aid to Industries Act and other Government sponsored financial organizations.

Term of Reference (2).

Steps to be taken to ensure the reopening of the tanneries in view of the improvement of the market for skins and hides.

Most of the tanneries which closed down when the collapse occurred have re-started. Only a few tanneries which are in need of finance have not been able to start again and the Committee consider that it is necessary to provide them with immediate financial assistance either through the Madras Industrial Investment Corporation, Limited, or State Aid to Industries Act.

Term of Reference (3).

Steps necessary to enlarge the markets on the Continent and the United States of America among them being :

(a) *The appointment of leather experts, attached to the Embassies, one on the Continent and another in the United States of America.*—The Committee consider that this will be helpful and all the Tanners' Associations have welcomed the suggestion. The Committee are, however, of the opinion that this work should be done by the trade through the Southern India Skins and Hides Merchants' Association, which is the premier and the most representative organization of the South Indian Tanning Industry. This association should in this connexion act in consultation with the other interests concerned with the East Indian tanning industry and its export trade. It should appoint experienced and suitable persons to be attached to the Embassies on the Continent of Europe and the United States of America and should find means for meeting the expenses involved. For this purpose the Association may levy a fee per bale of East Indian tanned kips and skins exported from Madras.

(b) *Assistance from Consular Officials to Trade Delegations.*—The Committee consider that all possible assistance should be given by Indian Consulates in foreign countries to trade delegations which may visit those countries from time to time in furtherance of the trade in East Indian tanned hides and skins.

Term of Reference (4).

Formulation of scheme for the auction of skins and hides in Madras.

Before formulating a scheme for holding auctions in Madras for tanned skins and hides, the Committee feel it necessary to give their views in general about auctions in London and the proposed auction in Madras.

The Committee find that the East Indian tanned hides have long since ceased to be sold through auctions in London. They are being exported on C.I.F. terms to the United Kingdom and other countries. The question of auction market at Madras for hides does not, therefore, arise.

As regards tanned goat and sheep skins, the Committee's finding is that prior to the World War II they were shipped to the United Kingdom on consignment to be sold privately or offered in auctions held there periodically and against C.I.F. contracts, the proportions having been more or less equal before 1930, and since 1930 the proportion sent on C.I.F. basis tended to be more. The superior and superfine tannages were, however, sent on consignment. During the war also, London Leather Control did not allow the superior and superfine class tannages to be sold on C.I.F. terms. These classes of tannages had, therefore, to be sent only on consignment to be allocated by the Allocation Committee to various users as London auctions were closed during the War. After the War towards the end of 1948, London auctions were revived as a result of the visit of the Southern India Tanners' Delegation during the last quarter of 1947. After the revival of London auctions, the superior and superfine class tannages were offered in the London auctions while middle class tannages and commoner qualities were mostly sold on C.I.F. terms. During the recent depression, as there was not adequate response to C.I.F. offerings, the middle class and commoner tannages also went to London auctions in increasing quantities. As the market went down and as there was less response to C.I.F. offerings, the quantities in the auctions began to increase. As the market became steadier, the quantities sent on consignment have, however, decreased.

Periodical auctions in London have been serving a very useful purpose in popularising the products of the East Indian tanning industry in the United Kingdom, some of the Continental Countries and the United States of America. The said auctions were mostly responsible for the development in the United Kingdom of the industry known as the Leather Dressing Industry. As result, the

leather dressers in the United Kingdom have to depend almost entirely on East Indian tanned skins and hides as their raw material. But for the auctions the Dressing Industry established in centres like Northampton, Leicester, etc., in the United Kingdom might not have grown. The same remark applies to similar leather dressing industries in Europe. A similar dressing industry has also been established in the United States of America which purchases a good quantity of East Indian tanned hides and skins. Parcels offered in auctions are catalogued into various lots according to weights and grades contained in the parcels. This practice enables the dressers to pick out the particular variety of goods needed for making the varieties of leather in which they specialise. This system is advantageous both to the consignors and the users in that the users get what they want and the consignors obtain better prices for their lots. The bidding in the auctions is done openly by various users in the United Kingdom as well as those from the Continent and the United States of America, which provides the necessary element of competition. Besides, the wharves in which the goods are displayed serve as good showrooms and places of advertisement of East Indian Tanned Skins.

There are some disadvantages for the tanner in consigning his goods to these auctions. Most important of them are—

(1) Longer period of risk in a fluctuating commodity, viz., four to six weeks for the voyage followed by about four to twelve weeks for inclusion in the auction according to their periods of arrival and interval between auctions. Therefore, a tanner who sends his goods for auctions to London has to take a risk of $2\frac{1}{2}$ to 5 months from the time when his goods are shipped which proves disastrous in a fast declining market.

(2) Tanners or shippers who send goods for the auctions and who draw about 70 to 80 per cent of the value of the goods as advance are in a weak position on a declining market because the importer who has arranged for such advances is anxious to get back his money and does not like to hold the goods unless the consignor is able to pay some portion of the advance, to maintain a margin of at least 20 per cent on the current value. Many tanners and shippers are not in a position to meet this obligation.

It will be found from the evidence that the Madras Chamber of Commerce and the Erode Tannery Merchants' Association are against establishing auctions at Madras while the other Tanners' Association think that auctions at Madras will be beneficial.

From the figures available, it is apparent that since World War I, tanned kips have not been sold by auction. Before 1930, the proportions of tanned goat and sheep skins sent for auction and exported on C.I.F. basis were more or less equal on an average over the year. Since 1930, the proportion of tanned skins sold against C.I.F. contract has been steadily increasing. At the commencement of World War II, mostly superior and superfine tannges were classified as consignment marks and the rest as C.I.F.

marks by the Leather Control established in the U.K. at the commencement of World War II. Since the auctions were revived after the World War II, mostly superior and superfine tannages and odd parcels of other tannages have been sent to the auctions. But tanners and shippers have been trying to sell more of the superior and superfine tannages on C.I.F. terms also. This is more easily possible in the case of tanned goat skins than in the case of tanned sheep as the difference in price between tannages and grades and variation in quality in tanned goat skins are less than in tanned sheep skins. Quantities offered in the auction sales were becoming progressively smaller until the last quarter of 1951 when the depression set in. The Committee think that if there are no violent fluctuations in prices in future, the quantities offered in London auctions will be gradually reduced and in course of time, London auctions may cease to exist. When this happens the element of speculation in the East Indian tanning industry occasioned by the auction of tanned skins in London will disappear.

As only a smaller proportion of the total E.I. tanned skins exported from South India to the U.K. is sold by auction in London and a clear trend of the diminution of even this small proportion is noticeable, the opening of an auction market at this stage at Madras is considered by the Committee to be unnecessary. If, after due consideration, an auction market is decided to be established at Madras in future, the best course would be to organize it on the lines of the London auctions. To elicit detailed information about the London auctions, the Committee held a meeting with Mr. Slater of Rallis (India), Limited, Madras. The proceedings of this meeting and a note on the procedure adopted in London auctions are given in Annexures I and II of this report. When the decision is made in future to establish an auction market at Madras, it would be desirable to set up a separate committee. The Annexures I and II will be helpful to such a Committee.

Term of Reference (5).

How far the supply of skins and hides can be organized on the same basis as that of Tea and Coffee in order to put an end to speculative dealings in these articles.

The Committee consider that there is no similarity between hides and skins and Tea and Coffee. The latter are the products of plantations which can be regulated to suit demand. With regard to hides and skins, they are either by-products of the meat industry or products obtained from animals that die naturally. So, their output cannot be regulated to suit market conditions. Out of the hides and skins that become available in India, a portion is tanned and consumed in the country leaving an exportable surplus, which has either to be exported in the raw or in the tanned condition. Exports of hides and skins in the tanned condition are of much greater economic advantage to India than their export as

raw. No restriction should, therefore, be put on tanning in India. Further, it has been noticed that when foreign prices are uneconomical and exports of tanned skins are reduced, the home consumption of tanned skins and hides increases helped by lower prices. For instance, in the case of raw hides, whose export is now prohibited, it is presumed that all supplies available in the country are tanned. When better prices are obtained from foreign countries, exports of tanned hides increase. When foreign prices become lower, their exports decrease. In spite of the decreased export all available hides are nevertheless tanned and larger quantities must, therefore, be consumed in the country as a result of the availability of the tanned leather to the Indian Consumer at a lower price. Exactly the same thing happens with goat and sheep skins. Thus the production and disposal of the tanned leather adjust themselves and no artificial regulation of their production is necessary.

Some Associations have suggested that the export of tanned skins and hides should be regulated by a quota system to avoid speculation, the reason behind the suggestion being that under regulated exports with a quota system, exporters and speculators will not be in a position to try to over-sell. Such a system might also be useful to correct the mistaken idea in the minds of purchasers during periods of depression that tanners have over-produced. This impression is created by speculators offering larger quantities for sale than are actually available in order to sell forward as much as possible in a declining market.

Any such system, however, as suggested by these Associations has its inherent defects and disadvantages. The regulation of the export of tanned skins and hides will not be effective unless the export of raw hides and skins is also brought under the same regulation. The matter of the regulation of export of raw hides and raw sheep skins does not arise as their export is now banned. The export of raw goat skins and papra skins would, however, have to be regulated along with the export of tanned skins.

It may be difficult to bring in all the exporters of tanned and raw skins under this system of regulation. While fixing quotas, only exports to the U.K. would have to be taken into consideration. It would be difficult to take into account the exports to other countries as the demands from them are not regular. As the demands from the U.S.A. and the Continent are sporadic resulting in sharp fluctuations [(Vide statements given in Annexures III (b) to III (g) and graphs given in Annexures IV (a) to IV (f)] both in volume and prices for tanned skins and hides, any system which regulates exports may not work well. When exports are regulated on a quota basis, the trade would not be able to fully supply such a varied demand as E.I. tanned hides and skins enjoy and their consumers in foreign countries would have to look for and satisfy their needs with substitutes which would be a loss to the Indian trade and India. Another defect would be that the choice of the

buyers would be restricted by the quotas allowed to exporters. It might result in the selling of quotas by some tanners and exporters who are not able to utilize them for some reason or other to undesirable parties who spoil the reputation of the trade by their casual dealings. The imposition of restricting quotas may also damage the industry by impairing the impetus for its further development and improvement of the standards of its production. The Committee, therefore, find that no regulation of any kind either on production or on exports would be in the interests of the industry.

The Committee consider that there are no unusual speculative dealings in the E.I. tanning industry. The fluctuations that are met with are due to the law of supply and demand which in the case of E.I. tanned skins and hides is of an international character and scope because the industry is dependent on foreign countries for its market. E.I. tanners take the necessary precautions in the purchase of raw hides and skins and in the selling of their tanned stocks with a view to keep a reasonable margin of profit. Their calculations are fairly accurate in normal times and are liable to go astray only when there is some unusual emergencies like wars, world economic depressions, etc.

The Committee, however, feel that the industry needs strengthening by unity among its different units. This can be done by setting up a Central Board which may be called the E.I. Tanning Advisory Board. This Board should consist of representatives from the different Tanners' Associations of Southern India and similar associations of other parts of India, which are interested in E.I. tanning, for instance Bombay, Kanpur, etc. The representation on this Board will be on the basis of the volume of export of E.I. tanned leather from the different States. As the bulk of E.I. tanning is carried out in the State of Madras, the Headquarters of this Board should be in Madras. This Board should be a statutory board recognized by the Union Government and its suggestions and recommendations should have due weight and consideration of the Union as well as the State Governments. The functions of this Board will be as stated below :—

- (i) To look after the common interests of the E.I. tanning industry.
- (ii) To act as a representative body of the E.I. tanning industry in matters to be dealt either with the Union Government or with the State Governments.
- (iii) To fix minimum prices of exportable E.I. tanned hides and skins whenever it is necessary to do so.
- (iv) To alter these prices whenever necessary.

In giving effect to its functions, specially the function of fixing minimum prices of E.I. tanned hides and skins, it may be necessary for the tanners to withhold their goods for some time.

In such contingencies, financial assistance may have to be given to these tanners to enable them to hold out. Such assistance may, according to the view of the Committee, be given by following the scheme outlined below :—

(i) Registered godowns will have to be established by the Government where the tanners will be able to deposit their goods which they propose to withhold from shipping.

(ii) Against the security of these deposited goods, the tanners will be provided with facilities to have advances from Government aided banks, such as the Reserve Bank, etc.

(iii) To safeguard that no goods are exported for sale at prices lower than the fixed minimum ones, the Government will have to notify the different Customs Authorities in India not to allow the export of E.I. tanned hides and skins unless their export is certified by the Board.

(iv) In order that the exporters may not circumvent the decisions of the Board as regards the minimum prices by exporting hides and skins in the raw condition instead of in the tanned state, the Government should prohibit the export of raw hides of all denominations, raw sheep skins including papras, pickled hides and skins and should also impose an export duty of 25 per cent *ad valorem* on the export of raw goat skins considerable quantities of which are still exported from India [vide Annexure III (a)].

Term of Reference (6).

Relaxations necessary in the restrictions under the State Aid to Industries Act to make available finance to the Tanning Industry.

Under section 5 (1) of the Madras State Aid to Industries Act, 1922, the industries to which aid may be given shall be such as have an important bearing on the economic development of the country and shall be :—

(a) new or nascent industries, or

(b) industries to be newly introduced into areas where such are undeveloped, or

(c) cottage industries, or

(d) old or established industries :

Provided that aid shall not be given to any old or established industry unless the Government are satisfied that special reasons exist for giving such aid. ·

The Tanning Industry does not come under the categories (a) to (c) above.

The Tanning Industry is one of the chief industries of this State, employing a large number of manual workers, and is an old one. It may, therefore, be classified under Clause (d) of section 5 (1) of the Act.

As regards loans to the tanning industry by the Madras Industrial Investment Corporation, Limited, the Secretary of the Corporation was addressed by the Committee in their letter No. 76-GT (20), dated 26th March 1953, and the reply obtained from him is given below :—

“ With reference to your letter No. 76—GT (20) of the 26th March 1953, I have to inform you that tanneries engaged in processing of hides and skins are eligible to get loans from the Corporation. At the time one of the members of the Tanning Industry approached us, the bye-laws of the Corporation, as they then stood, did not permit sanction of loans for proprietary concerns. The bye-laws have since been changed.”

CHAPTER IV.

RECOMMENDATIONS OF THE COMMITTEE.

The Committee make the following recommendations for the betterment of the E.I. tanning industry of South India. The recommendations are on the points of not only the terms of reference but also on other points which were brought before the Committee by the written evidence of the Tanners' Associations and the oral evidence of their representatives :—

(1) *Financial assistance.*—(i) To rehabilitate those tanneries which have not yet started functioning and which are in a position to re-start necessary financial assistance be made available to them under the State Aid to Industries Act and the Madras Industrial Investment Corporation, Ltd.

(ii) The South Indian Tanning Industry should be brought under the category (d) of section 5 (1) of the Madras State Aid to Industries Act, 1922, and the Government of Madras should be pleased to declare that it is satisfied that special reasons exist for giving financial aid to the tanning industry of the Madras State in view of the fact that it is an old industry and employs a large number of manual workers all drawn from the Scheduled Classes.

(iii) As the former bye-laws of the Madras Industrial Investment Corporation, Limited, which stood in the way of granting loans to tanneries have been amended, this Corporation now can and should grant long term loans to the South Indian Tanning Industry on the security of the assets of the concerns or on the assets of their individual partners.

(2) *Relief in taxes.*—(i) To assist tanners most of whom are struggling to regain their normal position after losses suffered during the recent depression in their trade, Government should extend relief to them in the payment of income-tax. The assessment of the income-tax for the accounting years, 1950–51 and 1951–52 should be made together or if that be not feasible, substantial time of a year or two should be granted for the payment of income-tax on the assessment based on tanners' accounting years 1950–51 and 1951–52.

(ii) As the E.I. tanning industry is mainly based on export trade, the relief sought for by the Associations to exempt it from the operations of the Madras General Sales Tax Act should receive sympathetic consideration of the Government of Madras.

(3) *Trade representatives in foreign countries and Trade Delegations.*—The Southern India Skin and Hide Merchants' Association, Madras, which is the premier Tanners' Association in South India should maintain one trade representative on the continent of Europe and one representative in the U.S.A. in consultation with other South Indian Tanners' Associations connected with the E.I. tanning industry and its export trade. The said Association may collect necessary funds for this purpose by levying from exporters of E.I. tanned skins and hides a fee per bale of the exported leather. The trade representatives so appointed should be attached to the Indian Embassies in those countries.

All possible assistance should be given by Indian Consulates in foreign countries to Trade Delegations of the South Indian Tanning Industry visiting those countries from time to time for the expansion of the markets of E.I. tanned kips and skins.

(4) *Auction market at Madras.*—There is no necessity for establishing an auction market at Madras at this stage, but if there be any special request in future from the E.I. tanning industry for it, an *ad hoc* Committee should be appointed then to go into the merits of the proposal and to formulate a scheme for it. This Committee suggest that if an auction market is to be established and worked at Madras, it should be done on the lines of the London Auctions. Full information about these is given in Annexures I and II of this Report which will be of great help to the proposed *ad hoc* Committee dealing with this subject.

(5) *E.I. Tanning Advisory Board.*—A Central Statutory Board recognized by the Union Government called the E.I. Tanning Advisory Board with headquarters at Madras and having representatives from E.I. tanning interests of various centres in India should be constituted to look after the interests of the E.I. tanning industry, with functions and facilities as stated in the findings under Term of Reference (5).

(6) *Transport.*—(a) As the very large South Indian Tanning industry has to procure raw hides and skins from such centres in Northern India as Delhi, Agra, Kanpur, Calcutta, etc., and as these commodities are extremely perishable and also expensive, high priorities for their transport to South Indian tanning centres should be given for railway wagons in order that the tanners may get raw hides and skins in undamaged condition and also that they may not have to lock up unnecessarily a large amount of capital due to delay in putting the purchased raw hides and skins into process in their tanneries caused by delayed transport. Similar high priorities for transport should be given by the steamship companies from Calcutta.

(b) The perishable raw hides and skins in spite of their usual curing by wet and dry salting are liable to putrefaction in iron railway wagons in which they are now usually transported, specially during hot seasons when these wagons have to pass through for days together under the hot rays of the tropical sun during their transport and as often happens, when they are shunted off in an intermediate station and kept under the open sun. The iron floor of these iron wagons also produce in the hides iron stains which detract from their value considerably. To avoid damages caused by the transport of hides and skins in iron wagons, the Government should provide wooden wagons for the transport of hides and skins.

(c) The Committee have received suggestion from tanners' associations for the provision of refrigerated railway wagons as is done for perishable food articles, for the transport of raw hides and skins. Provision of such wagons will be an ideal measure to take for safeguarding the raw hides and skins which constitute a national wealth of the country of a very considerable value. This proposal should receive the consideration of the Government.

(d) Facilities for quicker transport of such tanning materials as avaram bark, konnam bark and myrabolans, etc., should be provided.

(7) *Refrigerated rooms for storage of raw hides and skins.*—Even in cold countries like Europe and America, some tanners keep their stocks of cured raw hides and skins in refrigerated store rooms principally built by the tanneries themselves. If this is considered necessary in cold countries like Europe and America for the prevention of quality deterioration of the raw stock, it must be all the more necessary in a hot country like India. The advantage of cold storage of raw hides and skins does not appear to have as yet been realized by the Indian tanning industry. The realization, however, will be conducive to the improvement of the quality of the leather. The Committee, therefore, suggest that Government build a refrigerated cellar of a medium size in an important tanning centre of Madras State and endeavour to get the local tanners interested in storing their hides and skins in it on payment of reasonable rent. The Committee feel that this pioneering effort of the Government in the matter of cold storage of raw hides and skins will confer great benefit on the South Indian tanning industry and will popularize the practice of cold storage among the tanners who will eventually construct cold storage cellars themselves in their tanneries, or local authorities in the various tanning centres like municipalities and private firms may construct cold cellars to be hired for the use of the local tanners.

(8) *Supply of tanning materials.*—(a) *Wattle plantation.*—The Madras Tanning Industry depends to a very large extent on East Africa for its supply of wattle bark and wattle extract. The

Committee feel that this dependence on foreign import should be stopped as soon as possible by expediting the scheme of wattle plantation which has been inaugurated by the Madras Government. The Committee gather from the Editorial Article of the Tanner (the leading leather trades journal of India) of February 1953 that the Madras Government has taken a lead in sanctioning schemes under which wattle trees will be planted over an area of 21,274 acres of land, and that under these schemes, plantation on 3,237 acres will be completed before the end of the present year. The annual consumption of wattle bark used to be about 20,000 tons. It has at present been substituted to an appreciable extent by mimosa extract and to some extent by the cheaper and more easily available indigenous tan-stuffs. Wattle bark was imported before the World War II from South Africa, which has been stopped due to the cutting off of trade relationship between India and South Africa. Since this stoppage, it and its extract called mimosa extract have been imported from East Africa. The prices at which these are being imported are high, and facilities of import are also difficult. But wattle bark is so good a tan-stuff and so well introduced in South Indian tannage that if it is again made available to South Indian tanners at a reasonable price its consumption will rise again. The Committee, therefore, suggest that Government should take up immediately the plantation of wattle trees in both Palni and Nilgiri Hills so as to ensure a supply of at least twenty thousand tons of wattle bark per annum. This is expected to yield a good profit to the Government. The Committee is informed that some wattle bark is now obtained from Government forests and is being made available to the South Indian tanning industry. But this bark is found to be of deteriorated quality. Although the tanning contents of this bark is equal to and sometimes higher than that of imported wattle bark, it is very much discoloured due to negligence in drying and storage. The staff responsible for the production and storage of the bark should be well trained in their work so that proper care may be taken to make the local bark as good as the imported variety.

The Committee strongly recommend that a suitable officer from the Madras Forest Department, preferably with some initial knowledge of wattle plantation, be sent to East Africa to gain knowledge and experience of the wattle plantation, stripping and processing of the bark for its marketing, and also to study the manufacture of wattle-extract (mimosa extract). The Committee draw the attention of the Government of Madras to the profitable nature of the industry of wattle plantation. This profitable nature has been demonstrated by South and East Africa, and more recently by South America. In South Africa the wattle plantation is one of the most important industries of the country for the proper development and maintenance of which the Government pays a great deal of attention. If South Africa has been able to derive

no reason why the Madras Government should not be able to do so. The Committee, therefore, recommend to the Government to make pioneering efforts to establish the wattle plantation industry and demonstrate its profitable nature to the commercial interests of the country. If these interests are once attracted to this industry, it may be expected that they will take it over entirely themselves, and Government action will not then be needed. It is suggested that Government should appoint a Committee to investigate the availability of large tracts of suitable land for wattle plantation in Palni and the Nilgiri Hills and other suitable centres of the Western Ghats. If this Committee finds large tracts of land suitable for wattle plantation, and if Government leases out such lands to private enterprise, the latter will add its efforts to those of the Government for the development of wattle plantation industry in this State.

(b) *Manufacture of tanning extract, specially wattle or mimosa extract.*—The Committee invites the attention of the Government to the great necessity of inaugurating a tanning extract industry in India because the use of extracts in preference to bark and other raw tanning materials is increasing in the South Indian Tanning Industry as it had done long ago in Europe and America. The Committee recommend that a Government sponsored wattle extract factory be established in the area where wattle plantations are being made. This factory should be run by the Government as a pioneer factory and after working for some time, it may be made over to a commercial concern. The establishment of such a pioneer tanning extract factory will lead to the establishment of other commercial tanning extract factories in this country.

(9) *Quick tanning processes.*—The Committee understands that research for working out quick tanning processes for the production of sole-leather and E.I. tanned leathers are being carried out at the Central Leather Research Institute, Madras, and also at the Institute of Leather Technology, Washermanpet, Madras. The Committee recommend that these Institutes should give high priority to this research so that results may be obtained quickly for adoption by the industry. The Committee also hope that the industry will take advantage of the work done in these Institutes.

(10) *Adulteration tanned leather.*—The Committee gave their very close consideration to the malpractice of adulteration, specially of E.I. tanned skins. They were told by their colleagues representing the Madras tanning industry that if the exporters stopped buying adulterated skins, the malpractice would be removed immediately. The Committee cannot suggest any method for preventing the exporters who are the principal buyers in the Madras market from purchasing adulterated skins, but in the interests of such an important section of the Indian Export Trade as export of E.I. tanned skins and hides, the Committee feel that a way

should be found to eradicate this evil. The Committee, therefore, recommend that a legislation be enacted for the following purposes :—

(i) To compel the exporters of tanned hides and skins to make a declaration to the Customs that the hides and skins in the bales offered for export are free from adulteration.

(ii) To cause opening and inspection of bales offered for export by Government Inspectors in the presence of the exporter's representative and drawing out from a bale of each consignment two pieces of full skins in the case of skins and one piece of full hide in the case of hides at random. The drawn-out sample hide will then be cut along the backbone into two sides. The samples will then be signed by the Inspector and the exporter's representative; the mark and the bale number will also be written on the samples. The consignments should be allowed to go forward in the normal manner after the drawing of the sample.

(iii) Two sealed packets of the samples of either a side of hide or full skin will be made and one sealed sample packet will be sent by the Inspector and the other by the exporter to any recognized leather testing laboratory such as the laboratory of the Central Leather Research Institute or that of the Institute of Leather Technology, Washermanpet, Madras. The samples will be tested in those laboratories for adulteration. As the samples to be analysed are expected to be very large in number, the Department of Industries and Commerce of the Government of India will have to arrange with the laboratories concerned to make provision for the necessary staff and equipment for the speedy analysis of the samples and bear the cost for the same in the interests of the very important E.I. tanned hide and skin export trade of India.

(iv) A committee of representatives of exporters, tanners and of the Government will be set up which will be named E.I. Tanned Hide and Skin Adulteration Prevention Committee to receive and scrutinize the analytical reports from the laboratories. If the leathers are found to be adulterated, the Committee will impose a penalty in the shape of a fine on the exporter. If an exporter's leathers of a certain mark are found to be adulterated on more than three occasions, the export of that particular mark will be banned. The proposed Committee will be vested with these powers by the Government of India.

The Committee hope that, if the proposed system be introduced the exporters will realize the risk of losing their reputation and will abstain from buying adulterated goods and this evil of adulteration will eventually disappear from this important export trade of the Madras Tanning Industry.

The Committee, however, suggest that before passing the legislation as mentioned above, the Government should convene a Conference of all exporters of E.I. tanned hides and skins from

a guarantee that they will not deal in adulterated goods, the passing of the proposed legislation may be deferred so long as the guarantee given by the exporters is fulfilled.

(11) *Settlement of claims on weight shortage.*—Claims are made by importers in the U.K. on shortage of weight specially during a declining market of tanned skins and hides shipped to the U.K. against C.I.F. contracts. At times, such claims are supported by a weight note issued by the wharves in the U.K. The Committee recommend that the Government of India should use the good offices of the High Commissioner in the U.K. to prevail upon the importers there to accept the weight note which can be obtained from the Conference of Shipping Lines in Madras.

(12) *Flaying.*—With regard to flaying, recommendations have been made by the Committee for Leather and Leather Goods which reported to the Government of Madras in 1949 as well as by the Hide Cess Enquiry Committee. The present Committee agree with those recommendations.

(13) *Administration of the Factories Act to the E.I. Tanning Industry.*—Such men should be appointed as Factory Inspectors for the E.I. tanning industry who have knowledge of the nature of work done in the tanneries of this industry. This knowledge is essential for carrying out inspection of these tanneries intelligently for the safety, health and welfare of the tannery workers, without harassing the management. Factories Act was originated for safeguarding the workers of factories which employ power driven machinery from accidents which are liable to be caused by rapidly moving machine parts, snapping of belts which drive the machines, etc. Later on, the Act was extended to look after the hygienic condition of the factories to prevent disease among the mass of men who congregate for working in factory.

The tanneries which manufacture E.I. tanned kips andkins do not as a rule employ power driven machines. Work there is carried out by manual labour. Accidents from moving machines is out of the question. So, the principal thing for inspection is the hygienic condition of these tanneries. Tanning involves operations which emit some smell, and by experience it has been found that the tannery smell is not injurious to health. White-washing of masonry structure which can be harmlessly done in ordinary factories cannot be done to the masonry tanning pits of a tannery, because lime which is an alkali discolours the tan liquors and ruins the hides and skins put in them for tanning. Provision of soap, towel and wash basins for workers which may be beneficial in conventional factories is unnecessary in certain sections of a tannery, viz., liming and deliming yards. In these sections, the workmen's hands and feet are in constant contact with alkaline lime liquor and the skin of their fingers is tendered by the alkaline lime. Washing their hands with soap which is also alkaline is not

really required. What the workers in these sections of the tanneries need is oil to neutralize the effect of lime and not soap and towel. Tanneries provide these workers with oil.

Factory inspectors should understand the basic nature of the tanning work and should not harass tannery managements to comply blindly with such provisions of the Factory Act as are not needed and not applicable to tanneries.

Government should take the matter of tannery inspection with the department responsible for the administration of the Factory Act and save the tannery management from unnecessary harassment by the Factory Inspectors who have no knowledge of the work in tanneries.

(14) *Amendments to the Industrial Disputes Act.*—The Committee recommend that the Industrial Disputes Act should be so amended as to satisfy the following :—

(i) Disputes between labour and tannery managements should mean disputes arising when either of the parties does not fulfil the obligations of a previous agreement of award or deviate from the practice in force at the time to the detriment of the other party. Only such cases, where there is a breach of an agreement or an award or violation of a practice in existence for the time being, should be referred to the Industrial Tribunal as disputes. In cases when fresh demands are made by workmen, such demands should be first referred to the managements concerned and if the workmen and the managements concerned are not able to come to an understanding, the cases should be referred to a Committee consisting of equal number of representatives of the managements and workmen with a Government official not connected with the Labour Department as Chairman, whose decision or award shall be binding on both parties.

(ii) Discharge or retrenchment of workmen provided it has been done after giving due notice should not be the subject matter for reference to the Industrial Tribunal.

(iii) According to the provisions of the Industrial Disputes Act, managements are not permitted to be represented by professional lawyers at the Industrial Tribunals whereas Labour Unions are able to have the assistance of lawyers. This is a great disadvantage to the management as many legal points are considered and decided by Industrial Tribunals. Both the parties should be allowed to have the assistance of professional lawyers before the Industrial Tribunals.

(15) *Export of raw and pickled hides and skins.*—To afford the maximum possible scope for the development of the Indian tanning industry in general and E.I. tanning industry in particular, exports of raw and pickled hides and skins excepting the export of raw goat skins should be totally banned. In the case of raw goat skins which the Indian tanning industry cannot as yet totally

consume, the export may be allowed until the industry is sufficiently developed to consume the entire production. An export duty of 25 per cent *ad valorem* should be levied on the export of raw goat skins in the interests of the E.I. tanning as well as the chrome-tanning industry, which includes glazed kid and other sorts of finished leather manufacture.

(16) *Fish oil*.—As the Government of Madras maintains fisheries where fish oil is manufactured, it should encourage this manufacture so as to provide the Indian tanning industry with this material of a suitable quality. Further, as the imported Newfoundland Cod oil is required for the manufacture of chamois leather of good quality, the Government should arrange so that it may be imported by the Indian leather industry easily.

(17) *Tannery wool*.—For some time past, movements of tannery wool and hair were restricted to certain places of Madras and Mysore States on the representation of the drugget manufacturers and they were prohibited from being sent to Panipet and such other places where manufactures of carpets paid higher prices for them. Such restrictions have reduced the prices of wool and hair to a very great extent to the disadvantage of the local tanners. Some of the associations have represented strongly about the partiality shown by the Government in favour of the drugget manufacturers to the disadvantage of the tanning and the carpet manufacturing industries which are also Indian productive enterprises. It is understood that the carpets manufactured out of tannery wool are able to fetch much better prices from foreign countries than the druggets. The Committee, therefore, recommend that no such restrictions be imposed on the movement of tannery wool and tannery hair within the country.

CHAPTER V.

CONCLUSION.

Before concluding the Report, the Committee place on record their deep appreciation of the co-operation rendered to the Committee by all the tanners' associations in South India for promptly sending written replies to the questionnaire issued to them by the Committee and also for sending their representatives to give oral evidence before the Committee.

The members of the Committee place on record their high appreciation of their Chairman, Shri B. M. Das, Director, Central Leather Research Institute, for very ably conducting the Committee's work with his long and mature experience and keen insight into the industry and helping the members to arrive at proper conclusions. His presence has always had a sobering effect when differences of opinion were expressed during the discussions and enabled the Committee to give a unanimous report.

The Committee will be lacking in their duty if they do not record their appreciation of the work done by all the members and the Secretary of the Committee, Shri P. S. Chowdary, Principal,

Institute of Leather Technology, and for their untiring efforts to carry out the Committee's work efficiently in spite of their other preoccupations. The Committee record their great appreciation of Mr. Jamal Mohideen for the very keen interest he took in the work of the Committee and for his pains in collecting various data regarding the industry.

The Committee thank the Government for having entrusted this important work to them and also for the co-operation given by it in sending the official reporters of the legislature for recording the oral evidence tendered by the representatives of the various tanners' associations.

The Committee are grateful to the Council of Scientific and Industrial Research for having given facilities for holding their meetings at the Central Leather Research Institute and also to the members of the staff of the Institute who have rendered assistance to the Committee. The Committee recorded their special appreciation of the work done by Sri T. K. Narasimhan, Personal Assistant to the Director, Central Leather Research Institute, and for the untiring help he rendered to the Committee.

M. J. JAMAL MOHIDEEN,
18th April 1953.

CH. FAKIR MOHAMED.
18th April 1953.

S. V. SUNDARA RAMAN.
18th April 1953.

W. A. RUTHERFORD.
18th April 1953.

N. NAZIR HUSSAIN.
22nd April 1953.

P. S. CHOWDARY,
Convenor and Secretary,
18th April 1953

B. M. DAS,
Chairman,
18th April 1953.

I did not attend the meetings of the Committee after 5th March 1953 and hence did not make any contribution to most of the findings of the Committee.

N. NAZIR HUSSAIN.
22nd April 1953.

B. M. DAS,
Chairman, Committee for Leather Industry and Trade.

ADYAR, MADRAS-20,
1st May 1953.

ANNEXURE I.

PROCEEDINGS OF THE MEETING OF THE COMMITTEE HELD WITH MR. S. E. SLATER OF RALLIS (INDIA), LIMITED, AT 3 P.M. ON WEDNESDAY, THE 30TH JULY 1952, AT THE OFFICE OF THE RALLIS (INDIA), LIMITED, NO. 320, LINGHI CHETTY STREET, MADRAS-1.

MEMBERS PRESENT:

Mr. B. M. Das—*Chairman*.

Capt. P. S. Chowdary—*Convenor*.

Messrs. M. J. Jamal Moideen and W. A. Rutherford—*Members*.

Mr. S. E. Slater—(by invitation).

1. *Object of the meeting.*—The object was to get as much information as possible about the auctions of E.I. tanned goat and sheep skins in London from Mr. Slater who has considerable knowledge on the subject.

2. Mr. Slater prepared a note entitled “Operating the London Auctions” and another note on “Conditions of Sale”, which he had extracted from the rules of the auction. He put up these two notes at the meeting which are attached to these proceedings as Appendices I and II.

3. Discussion took place with a view to clarify certain points in Mr. Slater’s note (Appendix I) and also to elicit further information from him by asking questions. The following information emerged from the discussions:—

(i) There are only two brokers at present in London who conduct the auctions of tanned skins, viz., Messrs. Flack Chandler & Co., and Messrs. Dyster Nalder & Co.

(ii) Madras tanners got an advance for the goods sent to auction. The advance is given on the current value of the goods which is decided by the shipper. The advance is about 85 to 90 per cent of the value of the goods depending upon the market. In declining markets, the advances drawn are less. A sample of valuation was shown by Mr. Slater, said copy of which is given in Appendix III. To a question put by Mr. Rutherford whether the banks in Madras could arrange for the necessary advance on the strength of the value of the goods, Mr. Slater said it could be done provided the banks had expert personnel to assess the correct value of the goods. He also said that there were some business houses in Madras which could fairly accurately value the goods.

(iii) There are two main warehouses at present in London which give receipts to the importer for the goods sent there and the wharfage charge is paid by the importer. A sample of receipt was shown by Mr. Slater, a copy of which is attached as Appendix IV. When the goods are finally sold in auction, the warehouse sends a bill to the broker giving details of every item wharfage for which is being charged. The broker pays this bill but afterwards recovers it from the importer after the sale of the goods. After the sale, the broker sends these accounts to the importer. A sample of this account is given in Appendix V. Specifications of the goods are sent by the exporter from

India and they are checked in London wharf jointly by the broker (auctioneer) and the importer. A copy of such specification is given in Appendix VI. The bales are opened and checked in the warehouse and the broker will reassort the bales only when he is asked to do so and if this is done, he charges separately for the work. The contents of the opened bales are grouped into lots which are numbered. Each lot is given a number and the corresponding bale number and mark are also given and there is no chance of losing a single skin because, the organization is very efficient.

(iv) The wharfs are privately managed and are non-Governmental companies but they have a strict code of regulations and rules laid down by the Government.

(v) When the bales are lotted, the lots with their relevant descriptions are serially catalogued. The catalogues of Messrs. Flack Chandler & Co., and Messrs. Dyster Nalder & Co., were shown by Mr. Slater. The catalogues are issued by the broker, i.e., the auctioneer, who gets a list of all the buyers. The distribution of the catalogues is on a very wide scale covering all possible buyers by the brokers themselves and through the factors.

(vi) When a lot is sold, the auctioneer always gives the buyer's name. The auctioneer can keep a reserve price if he so wishes.

(vii) Samples consisting of about two dozen skins from each lot picked out at random are put on trestle tables in the warehouse or wharf. The trestle tables are about 20 feet long and 6 feet broad and the skins are displayed in two rows.

(viii) The auction room where the auction takes place is different from the warehouse and is about three miles away from the warehouse in the London City. The goods are not displayed in the auction room.

(ix) About 90 to 95 per cent of the consumers are represented directly or indirectly in London auctions. As a rule, a dresser or a group of dressers sends one of their representatives to London to inspect the goods. He goes there, inspects the lots and then attends the auction. This representative is constantly in touch with the demand of the market and the leather position. He is usually the factor who prices the goods for the dressers and knows their requirements. Almost the same procedure is followed in the case of continental buyers.

(x) With regard to the attendance of the buyers, Mr. Slater said that if the auctions were held in Madras, 5,000 miles away from the main seat of consumption, it would not be possible to expect all the representatives of the United Kingdom buyers at Madras. He gave as his personal opinion that if the tanners of Southern India were going to rely on auctions held in Madras, they could not hope to get the same amount of keen competition that they were getting in London. To this contention of Mr. Slater, the Chairman said that merchants or shippers in Madras might represent the dressers of United Kingdom who could send their requirements to these shippers and the shippers, having got instructions from their clients in United Kingdom, might attend the auctions at Madras and buy the goods on behalf of the dressers. To this, Mr. Slater replied that in theory it sounded feasible but in practice, quite honestly speaking, he did not think that it would.

(xi) Mr. Slater said that it was true that only about one-third of the Madras tanned skins which were exported were sold in London

auctions but even this one-third represented about 600 bales a month. So, if the Madras tanners are going to have auctions in Madras they should have an organization which is a tremendous one and also huge ware houses would be required for storing the skins. They should have to import experts for assessing the correct value of the goods and all these will cost very much. In his opinion it was all beyond the bounds of the possibility.

(xii) Mr. Slater asked the Chairman whether by holding the auctions in Madras it was the intention to cut down the business on c.i.f. basis to which the Chairman replied that it was not their idea to cut down the c.i.f. business and the tanners would be given the option to send their goods to the Madras auction market.

With a vote of thanks to Mr. Slater, the meeting ended.

ANNEXURE II.

PROCEDURE FOR THE AUCTION OF MADRAS TANNED GOAT AND SHEEP SKINS IN LONDON.

At present there are only two firms of brokers in London which auction these goods periodically. They are—

(1) Dyster Nalder & Co., Port of London Authority Building, Nos. 1 and 2, Pepy's Street, Seething Lane, London, E.C. 3.

Telegrams: Dyster, Fen, London.

Telephone Nos.: Royal 1577-1938-1539.

(2) Flack Chandler & Co., Fennings Wharf, Nos. 5 and 7, Tooley Street, London, S.E. 1.

Telegraphic address: " Flaccidity, London ".

Telephones: Hop. 1507, Hop. 2363.

The general outline of the procedure is that the goods are shipped from Madras to London merchants. Those merchants arrange for advances to Madras tanners or dealers. The tanners or dealers get advance of about 60 to 80 per cent of the value of the goods depending upon the market and the status of the party. The shipper decides the current value of the goods.

Arranging the skins in lots.—The importers hand over the documents to the broker who collects the goods from the ship and land them in a warehouse (wharf) on the Thames and weigh them. The warehouse is very big and has a capacity to hold several thousand bales of skins which usually arrive for sale by auction. About 600 bales are stocked per month. The broker and the London importer open out the bales, with their specifications sent by the exporter from India. (For Specification, see Appendix VI). The bales as received have the marks and numbers of the exporters or tanners as the case may be. Each parcel is opened separately and the skins of all the bales in the parcel

are separated according to grades and weight of the exporter and divided into lots. The broker keeps to the tanner's grades and does not re-grade the skins unless specially asked to do so and he may charge separately for that work. This grading is done by experts engaged by the broker. The lotting is done on the basis of weights and grades. If necessary, different grades, for instance I and II, and sometimes, I, II, III and IV are put in one lot, but the skins of the same lot are near one another in weight. The number of skins in a lot can vary from a few skins to as many as 2,000 skins. Total number of lots made for an auction depends upon the number of bales received for auction. Each lot is described with its lot number, number of goat or sheep skins it contains, numbers of skins of each grade, net weight in pounds of the skins of each grade and the average weight per dozen skins in the lot. The total number of skins in the lots tallies with the total number in the bales of a particular parcel.

Valuation of the bales.—As the bales are opened and checked a report is made out by the broker and a valuation given based on the rates obtained in the previous auction. (See Appendix III.)

Warehouse.—There are two main warehouses or wharfs at present in London. The wharfs are privately managed and are non-Governmental companies but they follow a strict code of rules and regulations laid down by the Government. The warehouses give receipts for the goods sent there by the broker and charge wharfage. The wharfage includes a number of items (see Appendix VII). The wharf sends its bill to the broker who meets it at the first instance but eventually realizes the amount from the London merchant and importer by deducting the amount from the account sale (see Appendix V). Warehouses or wharfs are on the river Thames. There is one at Tower Bridge.

Auction room.—Auction takes place in a different room in the City of London which is about three miles away from the warehouse. This room is the Great Hall, Winchester House, Old Broad Street, London, E.C. 2. Both Flack Chandler & Co., and Dyster, Nalder & Co., hold auctions in this room on different dates. Goods are not displayed in the auction room.

Catalogue.—After the bales have been lotted, the broker prepares and prints his catalogue of Public Sale or Auction on a specified date. Printed catalogues of both the brokers can be seen, a study of which will show the tremendous amount of work involved in compiling the catalogues. Sometimes all the bales cannot be included in the first catalogue and supplementary catalogues are issued after the first. Usually the catalogues are issued in three parts, the last one being ready few days before the sale date.

Distribution of the catalogue.—Catalogues are sent to the London factors and merchants who distribute them to the dressers and other likely buyers in United Kingdom and overseas.

Dates of auction.—Dates of the series of auctions for a calendar year are fixed by the brokers in advance. The auctions take about two

weeks to complete. The dates are usually arranged with an interval of seven to eight weeks. In extraordinary circumstances, auctions are postponed by a week or so.

Display of goods for buyers' inspection.—When the catalogues are issued and distributed, the buyers are able to attend the warehouse and inspect any and all the lots on show. Two dozen skins of each lot picked out at random are displayed in two rows being placed on trestle tables which are about 20 feet in length and 6 feet in breadth. The trestle tables are placed on the bales of skins which are on the floor of the warehouse. The warehouse is well lighted in order that the buyers may examine the goods thoroughly. Each sample for display is clearly marked with chalk showing (1) mark and (2) lot number.

Buyers.—Buyers attend the auctions personally or through their representatives. In addition to United Kingdom, they come from the continent and United States of America and so the competition is free and open. About 90 per cent of the United Kingdom consumers of E.I. tanned skins are represented directly or indirectly in London auctions. A dresser or a group of dressers send a representative to London to inspect the goods. This representative inspects the lots often several times before the auction and keeps himself constantly in touch with the demands of his clients and the leather position and then attends the auction and buys for his clients. In England, this representative is usually a leather factor who knows the requirements of United Kingdom leather dressers, selects and prices the goods for them. Similar representatives come from the continent to buy for the consumers there. Very often, the London factors also buy for or represent the Continental and United States of America consumers.

Auction.—The goods are auctioned under the usual auctioneering practice. Conditions of sale are given in Appendix II. When a lot is sold, the auctioneer announces the buyer's name. The owner of the goods can intimate a reserve price to the brokers, if he wishes.

Issue of priced catalogue after sale.—Immediately after the sales a catalogue showing the sale prices obtained for every lot sold is issued by the brokers. In addition to this, an average list of prices is also issued.

Payment by buyers.—On the day of the auction, the buyer has to pay 20 per cent of the amount due at the option of the broker. It is purely up to the broker to take this 20 per cent advance or not, because the realization of the money is the broker's responsibility when once the goods are sold. About three weeks from the date of auction are allowed for final payment. The final date of payment is called "Prompt Date".

Delivery of goods to buyers.—After the sale, the broker bundles the sold goods and delivers them to buyers making invoices to them.

Sales account to London importers or merchants.—The broker sends sales accounts to the London importers or merchants giving the sale prices of the goods sold from the parcels sent for auctioning. The brokerage and other charges are also given in the sales accounts (see Appendix V).

Brokerage and other charges.—The broker charges a brokerage which is 1 per cent on the sale from the seller. Other charges collected from the seller are—

	PER CENT.
Wharfage and public sale charges including fire insurance ..	$1\frac{1}{2}$ or 2
Commission to the importer	3

All told, it comes to about 6 per cent.

Sales accounts sent to Madras tanners.—Finally, the importer sends the sales accounts to the Madras tanners in which the values realized from the sale of his goods at the auction are given. The advances paid to him, the brokerage, sales commission and other charges are deducted from the sale value, the balance is then remitted to the tanner.

APPENDIX I.

Operating the London Auctions.

Skins to be auctioned are handed over to the care of one of the two brokers one month or three weeks before the advertised date of the sale.

The bales are of course weighed on entering the warehouse.

They are opened and the skins separated into grades and weights. A physical count is also made of the contents.

They are lotted and printed in the catalogue a copy of which can be seen. The compiling of the catalogue is in itself a formidable task and is undertaken by experienced men. As the bales are worked so a report is made out by the brokers and a valuation given based on the rates obtained in the previous sales.

At the same time a selection of skins from each lot number in the catalogue is placed on show in the warehouse. Each selection put on show is clearly marked with chalk showing—

1 Mark.

2 Lot number.

When the catalogues are issued and distributed the buyers are able to attend the warehouse and inspect any and all the lots on show. Usually the catalogues are issued in three parts the last one only being ready some few days before the sale date.

The goods are auctioned under the usual auctioneering practice and nothing need be said about this.

Copies of the terms of sale are attached.

After the sale of course the handling of the skins is in reverse and the bales have to be split up and bundled according to how many buyers might be sharing what had left Madras a complete lot.

The clerical work involved in invoicing to buyers and account saling to merchants together with relative weight notes, wharf charges, etc., apart from the actual bundling and despatch side is very considerable and all the staff involved are experienced.

As soon after the sale as possible the brokers issue a priced catalogue showing the sale price obtained for every lot sold.

APPENDIX II.

Prompt—5th June 1952.

Conditions of sale.

1. The highest bidder, in due time, shall be deemed the buyer, who shall then and there declare his name and residence in the United Kingdom, and pay a deposit of 20 per cent if required, in part of payment, and the customary lot money to the brokers to bind the bargain. The vendor reserves the right to alter, vary, or withdraw any lot or lots before or during the sale.
2. The goods to be taken with all faults and errors of description, as they are lotted, and to be cleared away at the buyer's expense; and the remainder of the purchase money with a brokerage of $\frac{1}{2}$ per cent to be paid by the buyers, whether brokers or not, into the hands of the selling brokers, on receiving the order for delivery of the goods, before the prompt day, or on the prompt day at the option of the selling brokers, and the re-weighing, re-counting or delivery of part not to be considered a delivery of the whole.
3. Payment strictly cash against delivery orders to be made not later than the prompt day, the 5th June 1952.
4. Interest at the current bank rate will be allowed on payments made in anticipation of the prompt.
5. The goods to be at the risk of the sellers until delivered from the warehouse, or until 6 p.m. on the 19th June 1952, whichever may first happen; and in case of loss by fire the sellers to be liable for the sale value only. All warehouse charges after the 19th June 1952, to be paid by the buyers.
6. If any of the lots remain unpaid for after the prompt day, the deposit money to be forfeited to the sellers, who may at any time re-sell the goods by public or private sale; the loss, if any, with interest money, risk of fire, warehouse rent and all charges incurred by the re-sale, to be made good by the purchasers at the present sale.
7. In the event of any lot being claimed by two or more bidders, the same shall be put up again; if neither of the parties will advance, the question (and any other dispute that may arise during the sale) shall be settled by show of hands or left to the decision of the selling broker.

APPENDIX III.

Port of London Authority Building.

Partners : 1 and 2 Pepys Street,
 R. B. Stricland. Seeting Lane,
 L. F. Peverett. London E. C. 3, July 1951.
 Dyster, Nalder and Company's report and valuation on 5 Bales
 Tanned Skins ex. "Cian Mackendric" at Madras on Account of Messrs.
 Ralli Brothers, Ltd.
 5 Bales 2762 Skins 2792 Lb. All T. W.

Prime No's 906/10. Cons. No. 5017.
 Pernambuts.

Valuations.	Numbers.	Quantity.	Lb.	Net.	Lb.	P.	Doz.	Description.
Average of lower Valuations 12/6-5/8 per lb.								
14/6	299 Goat.	278		11-1/8				Good middle class. Tannage slightly discoloured and over oiled, fairpeits, mixed substance and sizes, clean flesh, many searched and defective grain.
13/6	576	553		11-1/2				Do Ticky tubbed etc., fair seconds.
12/6	536	560		12-1/2				Do. more defective.
	412	425		12-3/8				Fair thirds.
11/6	409	416		12-1/4				Ticky, pocky, cut, etc.
	530	580		12-5/8				Fair fourths.
	<u>2,762</u>	<u>2,792</u>						
Shipg.	2,800		2,800	8 lb. =.	2,800			20 per cent loss.

DYSTER, NALDER COMPANY.

APPENDIX IV.

Tower Bridge Wharf.

Potter's Fields, Tooley Street, S.E.I.

Hop 1650.

Landing Account.

of 2 Bales Td. Sheep skins.
 Entd. by London Leather Wharves Distributing Company, Limited.
 Ex Cian Davidson Rot. No: 50/33.
 C Madras.

Rent Commences.

Marks.	Number.	Cwt.	Qrs.	Lb.
L.C.	275	5	..	9
	276	5	..	9
	<u>2</u>	<u>10</u>	<u>..</u>	<u>18</u>

For London Leather Wharves Distributing Company, Limited.
 (Sd). W. E. STEVENSONS.

APPENDIX V.

I
Account sale of ——— Bale Tanned Skins ex "Clan Alpine" at Madras sold for account of Messrs. Ralli Brothers, Limited, on the 4th April 1951 by Dyster Nalder & Co., Brokers.

Consignment No. 5000. Partners { R. B. Strickland.
L. F. Peverett.

Mark.	Bales.	Lot.	Skins.	Lb.	at pr. lb.	
Ralli	1	33	791	561	13/7	381 0 3
					381 0 3	

T. 1035

Tower bridge wharf charges	..	..	..	2 9 8	
Public sale charges	..	..	..	0 4 0	
Brokerage 1 per cent	..	..	..	3 6 2	
				6 9 10	
				374 10 5	



APPENDIX VI.

Specification of five Bales Prime to Goat skins Pernambuts shipped by Messrs. Rallis India, Limited, Madras, per S. S. "Chandackandrick" to Messrs. Rallies Brothers, Limited, London BK, dated 24th April 1951.

Marks.	Bale number.	Number of pce.	Description.	Net weight lb.	Gross weight lb.
INDIA	..	906	Firste ..	..	..
PRIME	..	280	Seconds ..	280	569
	907	280	Seconds ..	280	..
	..	280	Thirds ..	280	569
PERMAMDUTS	..	908	Thirds ..	..	560
LONDON	..	909	Thirds ..	..	140
906/10	..	420	Fourths ..	420	569
	910	560	Fourths ..	560	569
				2,800	2,845
	5 B/s.				

Assortment. 10/20/35/35 per cent.

Average weight : 11/12 lb.

Tare. 9 lb. per bale.

(p.p.) R. J., Limited.
(Sd.) A. Ch. VASS ILIADIS.

Unsold Reference No. 5017.

APPENDIX VII:

No. T 1035

The Proprietors of Tower Wharf, Limited.

Tower Bridge Wharf

Potter's Fields, S.I.L.

Messrs. Dyster Nalder & Co.			April 1952.
Ex. "Clan Alpin," 51/5.	Dr. to Charges.	P. S. 4th April 1951.	
Lot 35	1 Bales Td. Goatskin.	5 0 14	
433			
Consolidated rate 791 skins at 5/6 p 100	2 3 6		
plus 5 per cent.	0 2 2		
Ralli Rent 8 weeks 1 bale. 4½"	0 3 0		
plus 2½ per cent.	0 0 1		
Passing customs entry. 1/6"	0 0 5		
Port rates paid. 2"	0 0 6		
		£ 2 0 8	

R

Endd. Bill Book Fo.



Satyameva Jayate

ANNEXURE III : (a).

Statement showing the export of raw goat skins from 1949 to 1952.

ANNEXURE III (b).

Statement showing the export of tanned goat skins from 1949 to 1952.

ANNEXURE III (c.)

Statement showing the export of tanned sheep skins from 1949 to 1952.

Country.	1949.		1950.		1951.		1952.	
	Weight. (1)	Value. (2)	Weight. (3)	Value. (4)	Weight. (5)	Value. (6)	Weight. (7)	Value. (8)
United Kingdom	..	1,471	2,81,52,692	2,275	3,41,80,125	2,604	5,71,88,130	1,271
Australia	..	7	1,01,180	25	2,77,572	144	3,66,239	84
France	..	3 $\frac{1}{2}$	99,829	5 $\frac{1}{2}$	1,12,707	1 $\frac{1}{2}$	5,360	29
United States of America	274	3,65,728	78	13,85,705	374
West Germany	..	36	6,91,723	46 $\frac{1}{2}$	7,0,242	122	1,97,446	444
Netherlands	..	19	1,73,430	38	5,44,091	25	3,83,040	20
Japan	..	11	71,547	103 $\frac{1}{2}$	17,11,692	312	70,14,435	395 $\frac{1}{2}$
Belgium	..	5 $\frac{1}{2}$	86,132	4	56,500	1	17,122	10 $\frac{1}{2}$
West Pakistan	..	22	2,13,238	6	55,900	..	..	..
New Zealand	..	84	1,39,371	11	1,50,734	13 $\frac{1}{2}$	3,10,158	13
Ire	..	4	60,200	..	..	..	..	1,25,032
Czechoslovakia	5 $\frac{1}{2}$	1,53,900	..	..	..
Sweden	5	1,24,648	2	77,364	..
Aden	6	84,602	..	..	..
Denmark	24	3,16,534	2 $\frac{1}{2}$	34,735	2
Switzerland	7	1,05,725	2	48,440	5
Federated Malay States	5	52,080	10 $\frac{1}{2}$	1,28,886	97,062
Canada	22	7,13,802	84
Singapore	19	3,28,811	1,67,046

ANNEXURE III (d).

Statement showing the export of tanned cow hides from 1949 to 1952.

Country.	1949.			1950.			1951.			1952.		
	Weight. (1)	Value. (2)	Weight. Rs. (3)	Value. TONS. (4)	Weight. Rs. (5)	Value. TONS. (6)	Weight. Rs. (7)	Value. TONS. (8)	Weight. Rs. (9)	Value. TONS. (10)	Weight. Rs. (11)	Value. TONS. (12)
United Kingdom	373	26,23,305	10,437	5,19,54,280	14,092	10,73,74,699	5,381	1,68,51,228	..	..
United States of America
Belgium
Canada
Aden
West Pakistan
Japan
Eire
Netherlands
Norway
France

ANNEXURE III (e).

Statement showing the export of tanned buff hides from 1949 to 1952.

Country.	1949.			1950.			1951.			1952.		
	Weight. (1)	Value. (2)	Weight. Rs. (3)	Value. TONS. (4)	Weight. Rs. (5)	Value. TONS. (6)	Weight. Rs. (7)	Value. TONS. (8)	Weight. Rs. (9)	Value. TONS. (10)	Weight. Rs. (11)	Value. TONS. (12)
United Kingdom	192	..	..	7,13,473	3 ²²	12,10,790	785	38,21,395	289	10,46,461	..	..
United States of America	57	1,99,362	591	27,76,525	922	54,72,627	205	8,02,754	..	..
Netherlands	42	1,61,546	..	..	..	..	..	..	..	..
West Pakistan	79	2,52,255	48	1,57,737	12	58,150	6	16,763	..	..
Japan	20	1,30,470	4	..	..	..

ANNEXURE III (f).

Statement showing the export of tanned cow calf skins from 1949 to 1952.

ANNEXURE III (g)